

Message Text

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ACTION EUR-12

INFO OCT-01 EA-12 ISO-00 DOTE-00 SP-02 ICA-20 AID-05
EB-08 NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01
CIAE-00 COME-00 FRB-01 INR-10 NSAE-00 XMB-04
OPIC-06 LAB-04 SIL-01 PA-02 DOE-15 SOE-02 OES-07
/141 W

-----005126 270843Z /12

R 261432Z MAY 78
FM AMEMBASSY STOCKHOLM
TO SECSTATE WASHDC 3910
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY THE HAGUE
AMEMBASSY HELSINKI
AMEMBASSY OSLO
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO

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USOECD

USEEC

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TAGS: ECIN, ELTN, ENRG, EIND, NO, SW
SUBJECT: VOLVO'S CHIEF EXECUTIVE DEFENDS AGREEMENT WITH NORWAY
AT ANNUAL SHAREHOLDERS MEETING

REF: STOCKHOLM 2053

1. THE ANNUAL SHAREHOLDERS MEETING OF THE VOLVO COMPANY, HELD
ON MAY 25 IN ONE OF THE ASSEMBLY HALLS OF THE SWEDISH FAIR
GROUNDS AT GOTEBOG, RALLIED ABOUT A THOUSAND SHAREHOLDERS, AS
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MANY AS THE HALL COULD HOLD. MANY OTHER INTERESTED PERSONS
WERE SEATED OUTSIDE AND FOLLOWED THE PROCEEDINGS ON TV SCREENS.
THE MASSIVE ATTENDANCE AT THIS YEAR'S GENERAL MEETING WAS
ATTRIBUTED TO THE AGREEMENT JUST CONCLUDED BETWEEN VOLVO AND
THE NORWEGIAN GOVERNMENT PROVIDING FOR NORWEGIAN PARTI-
CIPATION IN THE OWNERSHIP OF VOLVO, THE "FLAGSHIP OF
SWEDISH INDUSTRY."

2. AT THE MEETING, VOLVO'S CHIEF EXECUTIVE PEHR GYLLENHAMMAR STAUNCHLY DEFENDED THE AGREEMENT WITH NORWAY. HE SAID THE NORWEGIAN VENTURE PROVIDED VOLVO WITH A UNIQUE OPPORTUNITY TO DO SOMETHING NEW. GYLLENHAMMAR SAID HE COULD NOT GIVE ANY GUARANTEES AS TO HOW THINGS WOULD TURN OUT. "IF THERE IS ANY INCENTIVE LEFT TO TAKE RISKS, THIS IS THE TIME TO DO IT," HE SAID, ADDING THAT "AFTER ALL VOLVO IS NOT LIKE A SAVINGS BANK THAT CAN PROMISE YOU A SPECIFIC RETURN ON YOUR INVESTED CAPITAL."

3. GYLLENHAMMAR DISCLOSED THAT A NEW TWO-SEATER MINI-CAR WOULD BE DEVELOPED AND BUILT IN NORWAY. HE RE-ASSURED SWEDISH TRADE UNIONISTS THAT NO JOBS WOULD, AS A RESULT, BE LOST IN SWEDEN. A NEW MODEL LARGE CAR WILL REPORTEDLY BE BUILT IN SWEDEN DURING THE 1980'S. ITS FRONT WILL RESEMBLE A VOLVO VESC AND INCORPORATE ALL THAT CAR'S SAFETY FEATURES, WHILE ITS BACK WILL BE SIMILAR TO THAT OF A CADILLAC SEVILLE. THIS CAR WILL HAVE FOUR DOORS AND BE POWERED BY A FOUR-CYLINDER ENGINE.

4. THE OIL EXPLORATORY ASPECT OF THE AGREEMENT WITH NORWAY WAS CRITICIZED BY SOME SHAREHOLDERS AND THIS PROMPTED GYLLENHAMMAR TO REASURE THEM ON THAT SCORE. HE EXPLAINED THAT PROSPECTING FOR OIL IS, OF COURSE, A UNCLASSIFIED

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RISKY AFFAIR, BUT ALL BUSINESS VENTURES INVOLVE SOME HAZARDS. "THERE IS NO ASSURANCE THAT WE WILL STRIKE OIL," SAID THE VOLVO CHIEF EXECUTIVE, "BUT THE PROSPECTS ARE VERY BRIGHT." ON THE SUBJECT OF FINANCING THIS PROSPECTING ACTIVITY, GYLLENHAMMAR SAID THE AGREEMENT WITH NORWAY PERMITTED VOLVO PETROLEUM TO ADMIT PARTNERS IN THE VENTURE. HE DID NOT WISH AT THIS STAGE TO REVEAL WHO THOSE PARTNERS MIGHT BE. IT IS CONCEIVABLE, HE ADDED, THAT VOLVO'S PRESENT SHAREHOLDERS--INCLUDING THOSE PRESENT AT THE GENERAL MEETING --MAY WISH TO MAKE A CONTRIBUTION TO THE SHARE CAPITAL OF VOLVO PETROLEUM.

5. GYLLENHAMMAR STRESSED THAT HIS COOPERATION WITH THE NORWEGIAN GOVERNMENT HAS BEEN EXTREMELY WARM AND FRIENDLY. IT IS REALLY GRATIFYING, HE SAID, TO SEE HOW VIGOROUSLY NORWAY'S PRIME MINISTER HAS BEEN TACKLING OUR JOINT VENTURE. GYLLENHAMMAR ALSO PRAISED THE SWEDISH GOVERNMENT FOR THE PART IT HAS PLAYED. HE CONCLUDED BY SAYING THAT HE HAD HAD SEVERAL CONFIDENTIAL TALKS WITH PRIME MINISTER THORBJORN FALLDIN, WHO IS GIVING VOLVO HIS FULL SUPPORT.

6. OBSERVATIONS. THE WHOLE VOLVO AFFAIR HAS LED TO A SPATE OF COMMENT DURING THE PAST FEW DAYS: A LOT OF IT POSITIVE, SOME NON-COMMITTAL, AND SOME CRITICAL. AS WITH DOSTOEVSKY'S APPRAISAL OF UNHAPPY FAMILIES, IT IS THE CRITICAL COMMENTS WHICH ARE THE MORE INTERESTING, AND THE EMBSSY HAS CHOSEN TO HIGHLIGHT SOME OF THESE.

7. THE SOCIAL DEMOCRATIC OPPOSITION, WITH PARTY LEADER OLOF PALME AND FORMER COMMERCE MINISTER KJELL-OLOF FELDT IN THE VAN HAVE NATURALLY BEEN SPEAKING OUT ON THE ISSUE.

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MR. PALME, SPEAKING BEFORE THE HOTEL AND RESTAURANT EMPLOYEES FEDERATION CONGRESS IN STOCKHOLM ON MAY 25 SAID, ACCORDING TO DAGENS NYHETER: "WE SOCIAL DEMOCRATS AND THE METALWORKERS' UNION BACKED A MERGER BETWEEN SAAB AND VOLVO. THE BOURGEOIS GOVERNMENT WAS, AS EVER, DIVIDED AND DID NOTHING TO PAVE THE WAY FOR A

MERGER. WHAT DOES VOLVO DO THEN? IT GOES TO THE GOVERNMENT AND SAYS YOU ARE PUMPING FUNDS INTO SECTOR AFTER SECTOR IN DIFFICULTY. WHY NOT MOVE TO THE OFFENSIVE INSTEAD? ... BUT THE GOVERNMENT IS PARALYZED. SO PEHR
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GYLLENHAMMAR SAYS, LET'S TURN TO A GOVERNMENT PREPARED TO DO SOMETHING, TO THE NORWEGIAN GOVERNMENT. WE (THE SOCIAL DEMOCRATS) HAVE NOTHING AGAINST COLLABORATION WITH NORWAY, WE JUST DO NOT WANT TO SEE LARGE CHUNKS OF OUR INDUSTRY PASS OVER INTO FOREIGN OWNERSHIP. A GOVERNMENT SHOULD NOT HAVE SUCH A LACK OF BASIC RESPONSIBILITY FOR THE SECURITY OF PEOPLE AS THE SWEDISH GOVERNMENT IS SHOWING." PALME USED THE VOLVO AFFAIR TO ILLUSTRATE WHAT HE CONSIDERED THE FUNDAMENTAL DIFFERENCES BETWEEN SOCIAL DEMOCRATIC AND NON-SOCIALIST VIEWS, ASSERTING THAT THE FOUR-BILLION-KRONOR "STRUCTURAL" FUND WHICH THE SOCIAL DEMOCRATS WISH TO ESTABLISH COULD HAVE PROVIDED THE FUNDS TO KEEP VOLVO IN SWEDISH HANDS ENTIRELY.

8. MR. FELDT, WRITING IN SVENSKA DAGBLADET, BEGAN ON THE SAME TACK: "FALLDIN HAS FOOD FOR THOUGHT IN THE FACT THAT THE FIRST LARGE-SCALE INDUSTRIAL PROJECT TO PROVIDE NEW JOBS DURING HIS TERM OF OFFICE IS GOING TO TAKE PLACE IN NORWAY, AND THANKS TO THE NORDLI GOVERNMENT INTO THE BARGAIN." PONDERING ON THE PROSPECT OF LOST JOBS AND LACK OF CAPITAL FOR INDUSTRIAL DEVELOPMENT IN SWEDEN, FELDT DRIFTED NATURALLY OVER TO THE NEED FOR WAGE-EARNER FUNDS: "IN THE DISCUSSION AROUND THESE FUNDS, IT HAS BEEN ASSERTED THAT THEY WILL FORCE FIRMS ABROAD. THE VOLVO AFFAIR HAS SHOWN THAT THE OPPOSITE CAN OCCUR: THAT THE LACK OF CAPITAL AND AN ACTIVE INVESTMENT POLICY ON THE PART OF THE GOVERNMENT CAN FORCE FIRMS ABROAD WHEN THEY WANT TO DEVELOP. THE NORWEGIANS ARE TO BE CONGRATUALTED ON THEIR ACHIEVEMENT," MR. FELDT CONCLUDED.

9. VOLVO ITSELF WAS ALSO CONGRATULATED BY AN ANONYMOUS SPOKESMAN OF THE CONFEDERATION OF SWEDISH
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EMPLOYERS IN THE BUSINESS PAPER DAGENS INDUSTRI OF MAY 25 WITH THE WORDS: "VOLVO HAS MADE A BRILLIANT MOVE IN THE DISCUSSION OF WAGE-EARNER FUNDS." THIS, DAGENS INDUSTRI SAYS, IS AN EXAMPLE OF THE DIFFICULTY WHICH OPPONENTS OF WAGE-EARNER FUNDS ARE HAVING IN HIDING

THEIR DELIGHT ABOUT THE NEW PERSPECTIVES WHICH HAVE OPENED UP. "WHAT HAS HAPPENED," THE ANONYMOUS SPOKESMAN CONTINUED, "IS THAT 40 PERCENT OF SWEDEN'S LARGEST INDUSTRIAL ENTERPRISE HAS IN ONE FELL SWOOP EVADED ALL FUTURE TAKEOVER BY THE UNIONS. THE NORWEGIAN SHAREHOLDERS ARE SURE TO BE LESS THAN AMUSED AT THE THOUGHT THAT THEIR HOLDINGS COULD BE CONTROLLED BY SWEDISH UNIONS." MR. LARS NABSETH, EXECUTIVE DIRECTOR OF THE FEDERATION OF SWEDISH INDUSTRIES, WAS QUOTED IN THE SAME PAPER AS FOLLOWS: "THE ENTIRE AFFAIR IS RATHER FANTASTIC. SHOULD THE WAGE-EARNER-FUND PROPOSAL OF THE SOCIAL DEMOCRATIC PARTY (SDP) AND THE TRADE UNION CONFEDERATION (LO) BECOME REALITY, IT WOULD MEAN TWO THINGS IN THE PRESENT CASE: IF THINGS GO BADLY FOR VOLVO THEN NORWAY WILL HAVE TO FOOT SOME OF THE BILL; IF THINGS GO WELL FOR VOLVO THE NORWEGIANS WOULD NOT GET ALL THEY SHOULD. NATURALLY, THIS COULD HARDLY HAPPEN. WERE IT TO DO SO, THE NORWEGIANS COULD DEMAND INTERNATIONAL ARBITRATION AND, IN ACCORDANCE WITH INTERNATIONAL REGULATIONS, BE ENTITLED TO DAMAGES. HOWEVER THAT MAY BE, THE QUESTION ILLUSTRATES IN A VERY INTERESTING MANNER THE CONFLICTING SITUATION WHICH EXISTS BETWEEN THE SDP-LO PROPOSAL AND THE MULTINATIONAL CORPORATIONS."

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